



Graco Inc. and Subsidiaries

Disclosure under the California Transparency in Supply Chains Act of 2010

Effective January 1, 2012, the California Transparency in Supply Chains Act of 2010 requires any retailer or manufacturer doing business in California to disclose its efforts to eradicate slavery and human trafficking from its direct supply chain. The following is the disclosure of Graco Inc. and its subsidiaries ("Graco"), as required by the Act.

- Risk Assessment.** Prior to entering into a relationship with a new supplier, Graco requires the potential supplier to certify that it complies with the Global Social Accountability Standard (SA 8000). This requires that the organization to certify that it i) does not use forced or child labor, ii) complies with all laws related to appropriate compensation and working hours for its employees, iii) provides a safe and healthy work environment, and iv) ensures that any abuse or coercion in the workplace is dealt with appropriately.

If a supplier will be a key supplier of Graco, Graco conducts a preliminary audit prior to entering into the relationship. Graco believes that its supply chain has a low risk of slavery and human trafficking because the manufacture of the supplied products requires skilled labor.
- Audits.** Graco conducts audits of its key suppliers on a periodic basis. The audits are preannounced and conducted by Graco. Graco looks for, among other things, compliance with applicable local laws, which includes those laws related to slavery, human trafficking, and working conditions. If a problem is identified, Graco will inform the supplier of any corrective action required; after the supplier certifies that the problem has been resolved, Graco conducts another audit. If the problem has not been resolved, Graco terminates its relationship with the supplier.
- Certification Requirements.** Prior to entering into a relationship with a new supplier, Graco requires the potential supplier to certify that it complies with the Global Social Accountability Standard (SA 8000). This requires that the organization to certify that it i) does not use forced or child labor, ii) complies with all laws related to appropriate compensation and working hours for its employees, iii) provides a safe and healthy work environment, and iv) ensures that any abuse or coercion in the workplace is dealt with appropriately.
- Internal Accountability.** Graco is committed to ethical and socially responsible conduct in the workplace. All of its employees must adhere to its Code of Ethics and Business Conduct (the "Code"), which requires compliance with all applicable laws, which includes laws related to human trafficking and slavery. All employees, both domestic and international, are required to undergo training on the Code. The Code emphasizes the importance of going above and beyond the requirements of the law to "Do the right thing," even if it involves foregoing business opportunities. Executives are annually required to certify that they are not aware of any violations of the Code by employees or affiliates of Graco. Any person, including employees, suppliers and distributors, can anonymously report violations of the Code via a third-party hotline, unless anonymity is

prohibited by local law. All reports are thoroughly investigated and no reprisals occur for reports made in good faith. Violations of the Code by employees may result in disciplinary action, up to and including, termination.

5. Procurement Training. Graco provides training for all of its employees in ethics. More extensive training in ethics and the recognition of problems with suppliers is required for employees who work closely with suppliers.

Last Updated: January 5, 2012.